

Message Text

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ACTION EA-14

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FM AMCONSUL OSAKA KOBE

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AMEMBASSY LONDON

AMEMBASSY TOKYO

UNCLAS OSAKA KOBE 0157

E.O. 11652: N/A

TAGS: ETRD, BCOM, JA

SUBJECT: FREIGHT RATES: US SUPPLIERS PENALIZED BY DISPARITIES

AMEMBASSY LONDON PLEASE PASS LEE PARSONS USATEX OFFICE, LONDON

1. CHARLES E. GALLAGHER, EXPORT MANAGER, COLLINS AND AIKMAN (HOME FURNISHINGS, APPAREL AND INDUSTRIAL FABRICS: ANNUAL SALES OF DOLS 350 MILLION) REPORTS HIGH FREIGHT RATES U.S. EAST COAST TO JAPAN MAY JEOPARDIZE COLLINS AND AIKMAN (C AND A) MULTI-MILLION DOLLAR EXPORT TRADE TO JAPAN. GALLAGHER REFERS TO JAPANESE COMPETITORS SELLING RAYON/ACETATE VELVET UPHOLSTERY FABRICS IN U.S. MARKET WITH JAPAN TO U.S. EAST COAST FREIGHT RATES COMPRISING 5 PERCENT TO 9 PERCENT OF FOB VALUE. C AND A JAPANESE CUSTOMERS COMPLAIN THAT OCEAN FREIGHT ON COMPETITIVE C AND A PRODUCTS OF EQUAL FACTORY COST RUN 30 PERCENT OF FOB VALUE. GALLAGHER NOTES THAT EVEN EUROPE TO JAPAN OCEAN FREIGHT RATES LOWER THAN ARE U.S. EAST COAST TO JAPAN FREIGHT RATES IN MANY INSTANCES.

2. C AND A IMMEDIATE CONCERN IS OVER EFFECT OF PRESENT HIGH U.S. EAST COAST OCEAN FREIGHT RATES WHICH TOGETHER WITH SCHEDULED RATE INCREASE APRIL 1 MAY PRICE C AND A OUT OF MULTIMILLION DOLLAR FLOOR CARPETING ORDER FROM MAJOR JAPANESE AUTO MANUFACTURER AND WILL FURTHER INCREASE THE DISPARITY IN OCEAN FREIGHT RATES. GALLAGHER NOTES THAT RUG AND CARPET OCEAN FREIGHT RATE U.S. EAST COAST TO JAPAN IS DOLS 89.25 PER 40

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CU. FT. OR 2,000 POUNDS WHILE JAPAN TO U.S. EAST COAST RATE

IS ONLY DOLS 57.75 MOR MORE THAN ONE THIRD LESS.

3. CON GEN IS WELL AWARE THAT DISCREPANCIES IN CONFERENCE RATES IS
SUBJECT OF LONGSTANDING DISCUSSION AND STUDY.

4. C AND A IS A MEMBER OF USATEX, A JOINT EXPOER ASSOCIATION.
GALLAGHER BELIEVES OCEAN FREIGHT DISPARITIES WILL ADVERSELY FFECT
USATE'S COMING PROMOTION CAMPAIGN IN JAPAN.

5. ACTION REQUESTED
WHAT CAN WE TELL GALLAGHER AND C AND A'S JAPANESE AGENTS?
HOLLOWAY

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NNN

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